

Notice No.: 95-007  
Date: June 30, 1995  
Applies to: All employers  
Subject: Summary of 1995 legislation

This Notice summarizes the bills passed during the 1995 legislative session which affect employers and members of the Washington State retirement systems. This Notice provides general information about these bills and their impacts. It does not offer legal interpretations or detailed instructions for how a bill will be implemented. You will receive additional information about any legislation which may require changes in your reporting to the Department of Retirement Systems or your processing of retirement information.

**SSB 5118—Definitions Clarified for Excess Compensation and Standby Pay**

**Applies to:** All systems for the definition of excess compensation; PERS for the definition of standby pay

**Effective Date:** July 23, 1995

**Summary:** The bill clarifies the definition of excess compensation for all systems. Under the bill, excess compensation includes:

- any payment that exceeds twice a member's regular rate of pay;
- any payment in lieu of an accrual of annual leave, or any payment added to regular wages or salary concurrent with a reduction of annual leave.

The bill also defines standby pay as earnable compensation in PERS. A member is in standby status when the employer requires the member to be prepared to report to work immediately if the need arises. The bill drops the requirement that the member be present at, or in the vicinity of, a specific location to be in standby status.

**Impacts:** Beginning July 23, 1995, payments that exceed twice a member's regular rate of pay and certain annual leave payments will be subject to excess compensation billings.

Beginning with July 1, 1995 earnings, PERS employers will need to report standby pay as earnable compensation. Future DRS Notices will provide additional information about these changes in the definitions of excess compensation and standby pay.

#### SB 5990—Public Notice Required for Excess Compensation Agreements

**Applies to:** PERS and TRS

**Effective Date:** July 23, 1995

**Summary:** The bill requires employers to provide notice at a public meeting prior to entering into a contract or collective bargaining agreement that includes a compensation provision that would result in an excess compensation billing under the definition provided in SSB 5118.

**Impacts:** Beginning July 23, 1995, employers will need to provide notice at a public meeting if a new contract or collective bargaining agreement authorizes payments that will result in excess compensation billings. Notice can be given at any regularly scheduled public meeting. At the meeting, the employer must provide an estimate of the excess compensation billings that may result.

#### ESHB 1206—Plan 3 Created for TRS

**Applies to:** TRS

**Effective Date:** July 1, 1996

**Summary:** The bill creates a new plan (Plan 3) for the Teachers' Retirement System. The new plan provides for both a defined benefit and a defined contribution to members. The defined benefit portion is funded by employer contributions and closely resembles TRS Plan 2. Upon retirement, members are eligible for a defined benefit that is 1 percent (rather than 2 percent) of their highest average salary times their years of service. The defined contribution portion is funded by member contributions. Members make a one-time choice of their rate of contributions. Contributions will be invested by the State Investment Board unless the member chooses a self-directed investment plan. Upon leaving employment for any reason, members can withdraw their accumulated contributions plus interest.

Current TRS Plan 2 members can request to transfer into the new plan. If they do so before January 1, 1998, they will earn a 20 percent (20%) bonus on their accumulated contributions (calculated on their account balance as of January 1, 1996). After January 1, 1998, they will not receive the additional 20 percent bonus on their contributions.

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**Impacts:** Beginning July 1, 1996, membership in TRS Plan 3 will be mandatory for new TRS members. New employees hired into eligible TRS positions will need to be enrolled and reported in the new plan. Beginning July 1, 1996, current TRS Plan 2 members who elect to transfer to Plan 3 will need to complete a transfer form and be reported in the new plan.

DRS will provide regular communications to employers about this new legislation. In addition, a representative employer group has been formed to provide DRS and employers with an opportunity to share information about the new plan and develop strategies for implementation. Although this new plan affects only TRS at this time, the Joint Committee on Pension Policy (JCPP) is considering expanding Plan 3 to other retirement systems.

#### HB 1295—Definition of Beneficiary Changed

**Applies to:** PERS, TRS, LEOFF, and JRS

**Effective Date:** July 23, 1995

**Summary:** The bill removes the language requiring beneficiaries to have an insurable interest in the member's life. The member can name any person, the member's estate, a trust, or an organization as a beneficiary.

**Impacts:** DRS is revising its Beneficiary Designation Form. Beginning July 23, 1995, members who wish to designate or change a beneficiary will need to use the new form. A future DRS Notice will provide additional information about the new definition and copies of the new form.

#### ESB 6045—TRS 1 Retirees Allowed to Work as Substitute Administrators

**Applies to:** TRS 1

**Effective Date:** May 5, 1995

**Summary:** The bill amends RCW 41.32.570 which was passed in 1994 and permitted TRS 1 retirees to work an additional 15 days each fiscal year as substitute teachers. (See DRS Notice 94-007.) The 1995 legislation permits TRS 1 retirees to work an additional 15 days (105 hours) each fiscal year as substitute administrators without affecting their benefits. To work the additional days, the retiree must be employed by a school district that has adopted a resolution declaring the services of retirees necessary because the school district cannot find a replacement administrator to fill a vacancy.

**Impacts:** Beginning with the 1995-96 school year, school districts will need to adopt a board resolution in order to employ a TRS 1 retiree as a substitute administrator for more than 75 days (525 hours) during the school year without affecting the retiree's

benefits. The school district must provide a copy of this board resolution to DRS. The resolution will be valid only for the school year in which it is adopted. A future DRS Notice will provide additional information about these new requirements.

#### SHB 1430—New Options Provided for PERS Employers

**Applies to:** PERS

**Effective Date:** July 23, 1995

**Summary:** The bill provides prospective PERS employers with additional options for purchasing prior service credit for employees.

**Impacts:** By providing these new options, the bill reduces the potential cost to employers who join PERS after July 23, 1995. As a result, additional entities will likely become PERS-covered employers and additional employees will be covered by PERS. Information about these new options will be sent to employer organizations and will be available to others upon request.

#### SSB 5119—Uniform COLA Created for PERS 1 and TRS 1 Members

**Applies to:** PERS 1 and TRS 1

**Effective Date:** May 12, 1995

**Summary:** The bill repeals current laws governing cost-of-living adjustments (COLAs) for PERS 1 and TRS 1 retirees. The bill replaces these COLAs with a new Uniform COLA which automatically increases the retiree's monthly benefit each year on July 1. The amount of the increase is based on the retiree's age and years of service.

**Impacts:** The bill has no impact on employers. Many retirees will see an increased benefit payment starting with their July 1995 pension payments. Information about this new COLA is being provided to members and retirees in the June 1995 DRS Bulletins.

#### HB 5120—Survivor Benefits Increased for LEOFF 2

**Applies to:** LEOFF 2

**Effective Date:** May 5, 1995

**Summary:** The bill provides an added benefit to the surviving spouse or children of a LEOFF Plan 2 member who dies in service on or after July 23, 1993. If the member had 10 or more years of service or was eligible for retirement at the time of death, the survivor may receive a refund of all of the member's account balance plus fifty percent (50%).

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**Impacts:** The bill has no impact on employers. Eligible survivors will see an increased benefit payment and will receive a letter from DRS explaining the reason for this increase. Also, details about this added benefit will be included in the general informational materials DRS provides to LEOFF members.

### Questions?

If you have questions about any of the bills summarized in this Notice, please contact Carole Mills in the DRS Legislative/Legal Affairs Unit. She can be reached by phone at (360) 586-9067 or by fax at (360) 753-3166.

Sheryl Wilson  
Director

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## 1995 DRS Notices

For a copy of one of these DRS Notices, call Systems Communications at (360) 586-4515.

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| 95-002 | <b>PERS, LEOFF, WSPRS, and JRS employers</b><br>Members' annual statements               |
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